fbfc French Broad Food Co-op

Management Report: 1st Quarter 2011 – Bobby Sullivan

June 25, 2011

FBFC Accomplishments

Ownership

- Ownership grew 9% from 957 to 1041 during 2010. This is an average of 21 new owners per quarter
- For the 1st quarter of 2011 ownership has grown by 19. We are committed to making this number grow significantly.

Staff

- The negotiating process with our shop steward and the regional representative for the Teamsters Union was very amiable.
- The new contract was unanimously accepted by the union members, with benefits given to both parties.

Financial

- Sales growth has been exceptional. A 3% increase is what our national organization deems necessary to keep the company viable.
    - 2010 showed an increase of 3.2%
    - 1st Quarter (Jan-March) of 2011 showed an increase of 8.8%.
    - April 2011 showed an 8.1% increase.
    - May 2011 showed a 15.62% increase.
    - Our Produce Department is leading the way with sales during the 1st Quarter of 2011 at 36.5% higher than last year's 1st Quarter.
- Total company assets increased by 6.6% and total equity by 11.4%
- Net income for the 1st Quarter of 2011 was $30,351, while during the same period last year we lost $14,299. Net income for all 2010 was also negative at -$16,840. We have made incredible progress in a short time, thanks is due to the entire staff and the Coop community as well.

Farmers' Market

- 85% of the vendors decided to move to a different location giving us little time to react.
- We successfully filled most of the spots and our first "new" market went very well.
- Whereas previously we had a majority of vendors who were disinterested in the Coop, we now have a group who are truly community-oriented and dedicated to our success, as we are of theirs.
- Special thanks are due to Kelly Fain, Barry Rubenstein, Pat Battle and Michael Gentry for making the transformation possible.

Operations

- We developed a new weekly financial report so we can measure our results on a weekly basis. There we are able to measure our weekly sales growth by day of the week and in each sub-department, our customer count, basket average, labor hours and sales per labor hour – with standard goals.
- We ended a long-term consulting contract, which was in place since last year. It was set to cost the Coop a large amount of money over a 5-year period. Our current results made us confident to end the agreement, so the Coop could save a significant amount of money and invest within – more and better paid staff with better equipment.
- We are working hard to increase the amount of local products available in the store. We are currently planning a catalogue of the local products available, so they will be easier for customers to find.
- We have planned a reset of the store's layout of products to be completed by the end of the summer. The products will be organized according to our Product Policy and greater shopping ease. For example, alcohol will be de-emphasized as per the Product Policy and dinner items will be together, rather than on either end of the store. We are also planning to move the pet aisle, opening up our other front window for more tables and chairs.
- We are working on getting business accounts for our warehouse. We intend to increase our sales to other local businesses, helping them to offer more local and organic products. The Jerusalem Garden Café will be our first account. We intend to make the warehouse a money-making entity.
- Our management team is about to implement a new evaluation program where staff can evaluate managers and managers can evaluate staff. This will enable us to better inform staff what we expect of them and it will also make sure these kinds of "coaching" conversations are taking place. Staff should be able to expect to be evaluated according to the same standards as everyone else.
- Now that the Union Contract has been renewed we are working on updating our Employee Manual, which outlines all the policies for staff to follow. Currently is it far too long and is much too specific about employee behavior. There is a feeling among staff that a lot of the policies were put in place to try to make the workers vulnerable to being fired. We will include staff in the process of updating this document so the new policies will reflect reasonable expectations.

Financial Performance

Consolidated Income Statement: **Year Ended:**

	1st Q 2011	2010	2009	2008	2007
Sales	$637,873	$2,487,636	$2,410,952	$2,480,269	$2,539,422
Cost of Goods	$374,795	$1,539,537	$1,482,335	$1,604,080	$1,589,242
Gross Profit	$263078	$948,099	$928,623	$876,189	$950,180
Staff Wage, Benefits, Tax	$156,294	$648,712	$628,806	$642,530	$648,447
Total Expenses	$234,436	$967,430	$918,474	$972,486	$936,179
Additional Income	$13,533	$54,309	$51,067	$31,787	$42,341
Member Discounts	$6,754	$33,814	$38,992	$14,355	$28,878
Net Income	$30,351	($16,840)	$8,466	($78,865)	$26,341

Consolidated Balance Sheet: **Year Ended:**

	1st Q 2011	12-31-2010	12-31-2009	12-31-2008	12-31-2007
Current Assets	$309,976	$236,252	$218,642	$182,036	$240,803
Property & Equipment	$408,209	$413,099	$435,599	$452,080	$456,034
Other Assets	$60,155	$22,509	$37,287	$14,702	$30,987
Total Assets:	$778,340	$671,860	$691,527	$648,818	$727,824
Current Liabilities	$291,406	$219,497	$125,522	$112,946	$119,261
Long Term Liabilities	$3,993	$4,635	$122,917	$126,353	$133,805
Total Liabilities:	$295,399	$224,132	$248,439	$239,299	$253,065
Owner Equity:	$482,941	$447,728	$443,089	$409,520	$474,758
Total Liabilities & Equity	$778,340	$671,860	$691,527	$648,818	$727,824

Ratio Analysis: **Year Ended:**

	1st Q 2011	12-31-2010	12-31-2009	12-31-2008	12-31-2007
Current Ratio	1.06	1.07	1.74	1.61	2.05
Debt to Equity	.008	.01	.28	.30	.25
Return on Assets	3.8%	-2.5%	1.2%	-12.1%	3.6%
Return on Equity	6.28%	-3.76%	1.9%	-19.2%	5.5%

Current Ratio: An indication of a company's ability to meet short-term debt obligations; the higher the ratio, the more liquid the company is. Current ratio is equal to current assets divided by current liabilities. Median* = 1.89

Debt to Equity: A measure of a company's financial leverage. Debt/equity ratio is equal to long-term debt divided by common shareholders' equity. Investing in (loaning to) a company with a higher debt/equity ratio may be riskier, especially in times of rising interest rates, due to the additional interest that has to be paid out for the debt. Median* = 0.81

Return on Assets: A measure of a co-op's profitability, equal to a fiscal year's earnings divided by its total assets, expressed as a percentage. Median* = 4.2%

Return on Equity: A measure of a co-op's profitability that reveals how much profit a co-op generates with the money owners have invested, expressed as a percentage. Median* = 7.9%

** Based on medium sized co-ops ($2-4M annual sales) that are members of the National Co-op Grocers Assn.*